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Press Release

Source: Klafter & Olsen LLP


Klafter & Olsen LLP Announces That It Has Filed a Class Action Lawsuit Against ArthroCare Corporation on Behalf of Common Stock Holders and Certain Traders in ArthroCare Options

Friday July 25, 4:00 pm ET

WASHINGTON, July 25 /PRNewswire/ -- Klafter & Olsen LLP has filed a class action lawsuit against ArthroCare Corporation ("ArthroCare" or the "Company") (Nasdaq: ARTC - News) and certain of its officers in the U.S. District Court for the Western District of Texas on behalf of all persons or entities who purchased the common stock ArthroCare from January 24, 2008 through July 18, 2008 (the "Common Stock Purchaser Class Period") and all persons or entities who purchased call options or sold put options in ArthroCare common stock from October 27, 2006 through July 18, 2008 (the "Options Holders Class Period"). As described below, if you purchased these ArthroCare publicly traded securities during the appropriate Class Period, you have 60 days from today to move to be appointed as a Lead Plaintiff.

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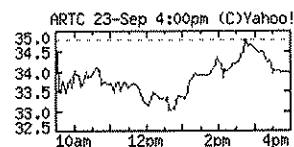
IF YOU PURCHASED THESE SECURITIES DURING THE APPROPRIATE CLASS PERIOD DESCRIBED ABOVE, YOU ARE NOT COVERED BY ANY OTHER PENDING CLASS ACTION AGAINST ARTHROCARE.

ArthroCare is a medical device company that develops, manufactures and markets minimally invasive surgical products. Before the market opened on Monday, July 21, 2008, ArthroCare announced that it would be restating its previously reported financial results from the

third quarter 2006 through the first quarter 2008 because it improperly recognized revenue from DiscoCare, Inc., State of the Art Medical Products, Boracchia & Associates and Clinical Technology, Inc. As a result, ArthroCare indicated that it expects ArthroCare's reported revenue in 2006 will be reduced by \$4 million to \$7 million, and that for 2007, reported revenue will be reduced by \$20 million to \$25 million. Further, ArthroCare revealed on July 21, 2008 that reported revenue for the first quarter of 2008 will be reduced by \$2 million to \$5 million, and that "the restatement will result in material reductions in operating income and net income for the annual and quarterly periods being restated." The Company also disclosed that while the restatement is being completed, a review of the Company's internal controls will be conducted and that further material misstatements or misconduct might still be uncovered.

Upon that announcement, shares of ArthroCare plummeted from its close of \$40.03 on Friday, July 18, 2008 to a close of \$23.21 on July 21, 2008, the next day

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of trading, on extraordinary volume -- a drop of over 42%. On July 24, 2008, the Company disclosed that the SEC had commenced an inquiry into the circumstances surrounding the restatement. During the period covered by the restatement, ArthroCare's officers and directors sold nearly \$12 million worth of their personal holdings in ArthroCare.

The Complaint charges ArthroCare and certain of its officers with violations of the Securities Exchange Act of 1934. Specifically, the Complaint alleges that the defendants: (1) falsely reported ArthroCare's financial results for the quarter ended September 30, 2006 through the first quarter ended March 31, 2008; (2) falsely stated that the Company's financial statements were prepared in accordance with Generally Accepted Accounting Principles ("GAAP"); and (3) falsely stated that the Company had adequate internal and financial controls. As a result of the foregoing, the financial statements being restated by the Company were materially false and misleading when issued.

If you purchased ArthroCare's common stock from January 24, 2008 through July 18, 2008, or purchased call options or sold put options in ArthroCare common stock from October 27, 2006 through July 18, 2008, and sustained losses, please contact Klafter & Olsen LLP at <http://www.klafterolsen.com> or call us at 202/261-3553 for a more thorough explanation of the claims that have been asserted against ArthroCare.

Klafter & Olsen LLP has extensive expertise in prosecuting investor class actions involving financial fraud and has offices in Washington D.C. and New York. Please visit our website for more information about the Firm.

Source: Klafter & Olsen LLP

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